

**Court No. B081819  
Estate No. 11-252480  
District 03 - Vancouver Registry**

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSALS OF  
H.V.TRUONG LTD. & A-1 MUSHROOM SUBSTRATUM LTD.**

**TRUSTEE'S REPORT ON THE  
EXTENSION OF TIME FOR FILING PROPOSALS  
(Paragraph 50.4(9) of the Act)**

**DATED FEBRUARY 5, 2009**

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(Paragraph 50.4(9) of the Act)**

On November 28<sup>th</sup>, 2008 H.V. Truong Ltd. and A-1 Mushroom Substratum Ltd. (the "Companies") filed Notices of Intention to Make Proposals ("NOI's") pursuant to paragraph 50.4(1) of the *Bankruptcy and Insolvency Act* ("BIA") and on December 8<sup>th</sup>, 2008 the Companies filed Projected Cash-Flow Statements as required pursuant to paragraph 50.4(2) of the BIA.

The Companies were not in a position to file proposals to their Creditors at the end of the 30 day initial stay of proceedings and time for filing proposals. Accordingly the Companies applied to Court for an extension of time for filing proposals as provided for in paragraph 50.4(9) of the BIA. The Court granted an Order on December 22, 2008 extending the stay of proceedings and time for filing proposals to February 11, 2009.

The Companies are still not in a position to file definitive proposals and will be applying to Court for a further 45 day extension of time to file proposals and a continuation of the stay of proceedings. As Trustee in the captioned matter we provide this report to the Court on the business and financial affairs of the Companies since our last report to the Court dated December 15, 2008 as required pursuant to paragraph 50.4(7)(b) of the BIA.

**Activities of Companies since the Trustee's last report**

HV continues to operate the mushroom growing business which employs approximately 40 people, while A-1 is not operating and will not recommence operations until it is in compliance.

Our review of the HV's actual cash flow for December 2008 and January 2009 as compared to the cash flow projection can be summarized as follows:

***Receipts from Sales***

Actual cash receipts from sales were \$125,000 less than projected. The reason for the discrepancy, according to the Ha Quan Truong, was the accident in October 2008 that resulted in substantially lower sales during that month. The cash receipts in December 2008 were for payment on sales that occurred in October, 2008 due to the 60 day terms provided to Farmers Fresh Mushrooms Inc. ("FFM"), the purchaser of HV's mushrooms.

***Disbursements for Operating Costs***

Actual disbursements for operating costs were \$66,000 lower than projected due primarily to lower than expected cost of growing supplies.

***Net Cash Receipts***

The net cash receipts from operations were approximately \$60,000 lower than projected. This has resulted in HV not being able to expend the amount of funds that were allocated for the environmental clean-up and remediation. According to Ha Quan Truong, the unusual snow fall in December and subsequent cold weather has delayed the progress of the environmental clean-up and remediation and therefore even if the additional funds were available the funds would not have been expended.

The Companies have been working diligently with the environmental consultants, engineers and health and safety consultants retained to assist with the implementation of the work plan prepared by Pottinger, Gaherty Environmental Consultants. Unfortunately due, in part, to weather and, in part, to the additional funding required for implementation of the work plan, the progress to date has been considerably less than anticipated.

The Companies legal counsel has also been reviewing the status of the construction litigation and insurance claim that are both expected to generate funds that will be included in the terms of the proposals to the Companies creditors.

Most of the efforts to date by the Companies and their legal counsels have been directed towards finalizing the sale of the FFM shares. We understand that an Agreement has been executed that is subject to the approval of the Court. We support this sale as it will provide funding towards the required environmental clean-up and remediation.

Finally, we understand that GE Capital is currently performing due diligence that, if satisfactory, may result in a financing offer that will allow the Companies to finalize their definitive proposals to their creditors.

## Conclusion

As Trustee, based on our review of the Companies business and financial affairs, we are satisfied that the Companies are continuing to act in good faith and with due diligence. We believe that the efforts being made by the Companies to date towards achieving compliance with the various regulatory authorities are critical to the development of viable restructuring plans and in any event are beneficial to the creditors.

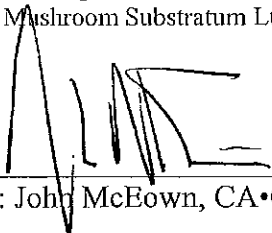
The Companies have made considerable progress towards funding the required environmental clean-up and remediation and have made some progress towards long term financing that would allow the Companies to finalize their restructuring plans.

It is our opinion that if the extension being requested is granted the Companies will be able to make viable proposals to their creditors and no creditors would be materially prejudiced.

Dated at Vancouver, this 5<sup>th</sup> day of February, 2009

### **Boale, Wood & Company Ltd.**

Trustee in the Matter of the Notices of  
Intention to File Proposals of  
H.V. Truong Ltd. and  
A-1 Mushroom Substratum Ltd.



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Per: John McEown, CA•CIRP